

# Global Auto Report

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## Rebooting Global Vehicle Production and Global Growth

— *Faster-than-expected improvement to lead global economy out of 'soft patch'*

**T**he impact of the Japanese earthquake on the auto industry and the global economy is subsiding. A shortage of vehicles kept sales in Asia — especially Japan — and North America below a year earlier in May. However, volumes in other regions posted the strongest gain since late 2009, a development pointing to the ongoing momentum in the global economy. In particular, while euro area worries continue to dampen financial markets, car sales in Western Europe climbed 8% above a year earlier in May, the strongest gain in more than a year.

In the **United States**, passenger vehicle sales were undercut in May by a shortage of Japanese models on dealer lots. Purchases fell below an annualized 12 million units last month, a noticeable slowdown from previous months when volumes consistently exceeded 13 million units. However, excluding Japanese brands, sales advanced 7% above a year ago. Of note, the Detroit Three garnered nearly half of the U.S. market last month, their best performance since late 2008.

Vehicle sales also weakened in **Canada** last month, with volumes slumping to only an annualized 1.40 million units from an average of 1.67 million in March and April. The fall-off reflects a 21% year-over-year slump by Japanese brands. Excluding Japanese models, purchases advanced 5% above a year earlier and were nearly in line with activity in May 2008, prior to the global economic downturn. Preliminary data for June indicate that enhanced incentives will likely lift volumes back above an annualized 1.60 million units, bringing first-half purchases roughly in line with our full-year forecast of 1.59 million units.

The resource-rich provinces of Saskatchewan and Alberta outperformed last month, with sales advancing 5% above a year earlier compared with a 5% drop in the rest of Canada. So far this year, volumes in these two provinces have increased 7%, led by gains in excess of 20% for crossover utility vehicles.

### GLOBAL VEHICLE PRODUCTION REBOUNDS

**Global vehicle production bottomed in May, and will continue to strengthen in coming months, re-energizing global economic activity.** Japan and other nations in Asia, such as Thailand, as well as North America will be the main beneficiaries of the rebound in global vehicle assemblies. **We estimate that rising vehicle output will add at least an annualized 0.5 percentage points to global GDP growth in the third quarter.** This represents a full percentage point reversal from the second quarter 'soft patch', when supply chain disruptions forced automakers to slash production.

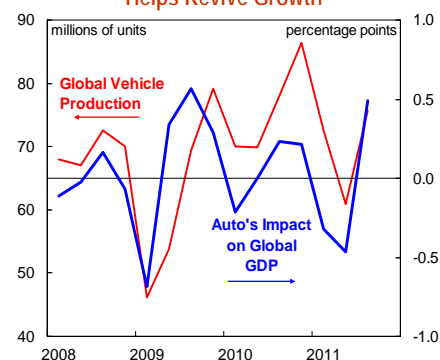
**The impact of rebounding vehicle output will be greatest in Asia, which accounts for two-thirds of overall production by Japan automakers.** In particular, autos account for roughly 3% of overall economic activity in Japan, and rising assemblies are expected to add an annualized 1.5 percentage points to the nation's third-quarter economic growth.

### Scotia Economics

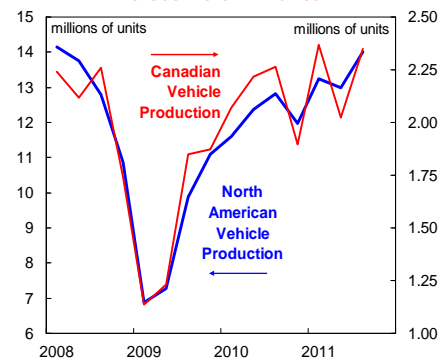
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Rising Global Vehicle Output Helps Revive Growth



Assemblies Rebound Across North America



85.12	18.23
36.08	45.46
96.36	18.02
74.54	12.47
06.84	19.63
56.08	09.69
69.39	58.33
87.10	66.08
21.36	27.05
57.14	36.65
69.31	52.33
12.57	08.85



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The impact will be even greater in Thailand, where the auto industry represents 15% of manufacturing activity and 6% of overall GDP. In addition, Japanese automakers — led by Toyota — account for 85% of the overall vehicle output in Thailand. According to the Federation of Thai Industries, Toyota resumed production in late May, and has been operating at 90% of capacity throughout June. Other Japanese automakers also resumed production in Thailand earlier this month. As a result, vehicle assemblies in Thailand are expected to total 467,000 units from June through August — a 30% jump from the March-May period. **We estimate that this rebound in assemblies will add at least an annualized 5 percentage points to Thailand's GDP growth in the third quarter — the largest contribution throughout the world.**

In North America, automakers are also gearing up to boost third-quarter production 18% above a year earlier. This represents a sharp acceleration from the slowdown in the April-June period, when supply chain disruptions limited North American assemblies to an annual rate of only 12.4 million units, down from 13.3 million in the opening months of 2011. **We estimate that third-quarter vehicle output in North America will climb to roughly an annualized 14.0 million units — the highest level since mid-2008, prior to the sharp fall-off in global economic activity later that year.** In fact, assemblies in the U.S. began to improve in May, edging up to 7.9 million units, after a 12% plunge in April to only 7.8 million units. The improvement reflects rising output by the Detroit Three, as well as the ramping up of assemblies at Volkswagen's new assembly plant in Chattanooga, Tennessee.

Canadian plants will be among the major beneficiaries from higher output in the July-September period. Vehicle production in Canada is expected to jump 21% year-over-year in the third quarter, compared to only a 3% gain in the first half of 2011. This outperformance reflects the fact that Toyota and Honda typically account for 36% of overall Canadian vehicle output, a much higher share than Japanese assemblers garner in either the United States or Mexico. Nevertheless, improving vehicle production throughout the region will add roughly an annualized percentage point to third-quarter GDP growth across North America.

Aside from the ramping up of production in North America to rebuild inventories as fast as possible, Japanese automakers are also shifting more vehicle assemblies to the region. This reflects a strong yen which is hindering their export competitiveness from Japan, as well as a desire to diversify their production in light of ongoing concerns over Japan's near-term electricity supply. Toyota plans to transfer production of the Corolla, now manufactured in Japan, to a plant in Mississippi. Honda recently announced an acceleration of the production shift from Japan to plants in Indiana, Ohio and Alabama. Nissan recently began producing its 'March' compact car in Aguascalientes, Mexico. Roughly 70% of the 60,000 units to be produced annually will be exported to Latin America. Mazda is also building a new plant in Mexico by 2013.

Europe — especially the United Kingdom and the Czech Republic — will also benefit from rising Japanese vehicle production in the third quarter. However, robust global demand for luxury European models will be a more important driver of a 5% year-over-year increase in third-quarter vehicle assemblies across the region.

## International Car Sales Outlook

	<u>1990-99</u>	<u>2000-07</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011f</u>
	<i>(millions of units)</i>					
<b>TOTAL SALES</b>	<b>39.20</b>	<b>49.19</b>	<b>52.33</b>	<b>50.50</b>	<b>56.80</b>	<b>59.77</b>
<b>North America*</b>	<b>16.36</b>	<b>19.41</b>	<b>15.85</b>	<b>12.68</b>	<b>13.96</b>	<b>15.20</b>
Canada	1.27	1.60	1.64	1.46	1.56	1.59
United States	14.55	16.79	13.19	10.40	11.55	12.70
Mexico	0.54	1.02	1.02	0.82	0.85	0.91
<b>Western Europe</b>	<b>13.11</b>	<b>14.59</b>	<b>13.54</b>	<b>13.62</b>	<b>12.96</b>	<b>13.28</b>
Germany	3.57	3.30	3.09	3.81	2.92	3.06
<b>Eastern Europe</b>	<b>1.18</b>	<b>2.55</b>	<b>4.17</b>	<b>2.59</b>	<b>3.14</b>	<b>3.78</b>
Russia	0.78	1.37	2.90	1.47	1.91	2.48
<b>Asia</b>	<b>6.91</b>	<b>10.45</b>	<b>15.07</b>	<b>17.68</b>	<b>22.47</b>	<b>22.98</b>
China	0.43	2.91	4.98	7.32	9.41	10.35
India	0.31	0.78	1.20	1.43	1.87	2.10
<b>South America</b>	<b>1.64</b>	<b>2.19</b>	<b>3.70</b>	<b>3.93</b>	<b>4.27</b>	<b>4.53</b>
Brazil	0.94	1.37	2.23	2.53	2.69	2.91

\*Includes light trucks.

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## Canada/U.S. Motor Vehicle Sales Outlook

	<u>1991-05</u> Average	<u>2006-08</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
					Jan-Apr **	Annual f
<i>(thousands of units, annualized)</i>						
<b>CANADA</b>	<b>1,398</b>	<b>1,637</b>	<b>1,461</b>	<b>1,557</b>	<b>1,596</b>	<b>1,590</b>
Cars	797	874	749	711	714	735
Domestic	583	562	426	394	448	410
Transplants	178	283	265	235	250	240
Imports	214	312	323	317	266	325
Light Trucks	601	763	712	846	882	855
<i>(millions of units, annualized)</i>						
<b>UNITED STATES</b>	<b>15.5</b>	<b>15.3</b>	<b>10.4</b>	<b>11.6</b>	<b>13.0</b>	<b>12.7</b>
Cars	8.3	7.9	5.5	5.7	6.6	6.2
Light Trucks	7.2	7.4	4.9	5.9	6.4	6.5
<i>(millions of units, annualized)</i>						
<b>NORTH AMERICAN PRODUCTION*</b>	<b>15.58</b>	<b>14.74</b>	<b>8.76</b>	<b>12.15</b>	<b>13.02</b>	<b>13.33</b>
CANADA	2.50	2.41	1.49	2.07	2.12	2.25
UNITED STATES	11.67	10.23	5.71	7.74	8.35	8.50
MEXICO	1.41	2.10	1.56	2.34	2.55	2.58

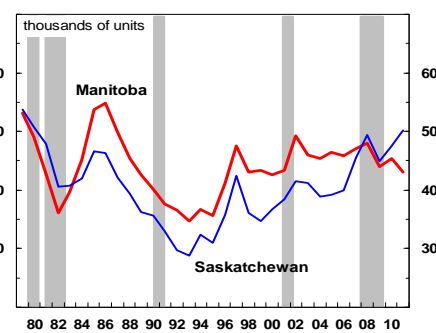
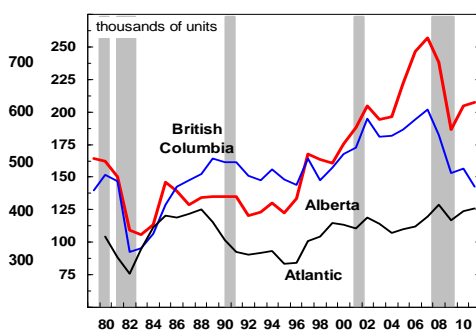
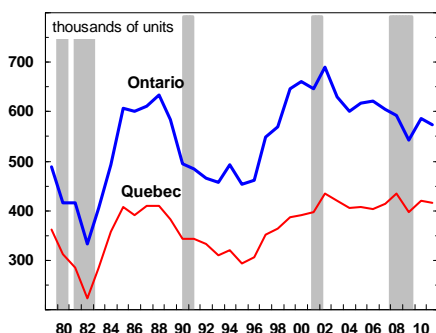
\*Includes transplants; light, medium and heavy trucks. \*\*U.S. sales and North American production to May.

## Vehicle Sales Outlook By Province\*

*(thousands of units, annual rates)*

	<u>1994-05</u> Average	<u>2006-08</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
					Jan-Apr	Annual f
<b>CANADA</b>	<b>1,446</b>	<b>1,637</b>	<b>1,461</b>	<b>1,557</b>	<b>1,596</b>	<b>1,590</b>
<b>ATLANTIC</b>	<b>102</b>	<b>119</b>	<b>115</b>	<b>122</b>	<b>129</b>	<b>123</b>
<b>CENTRAL</b>	<b>936</b>	<b>1,002</b>	<b>927</b>	<b>990</b>	<b>1,013</b>	<b>1,006</b>
Quebec	366	411	392	414	425	420
Ontario	570	591	535	576	588	586
<b>WEST</b>	<b>408</b>	<b>516</b>	<b>419</b>	<b>445</b>	<b>454</b>	<b>461</b>
Manitoba	42	45	43	44	44	46
Saskatchewan	36	43	44	46	51	48
Alberta	166	239	182	200	213	210
British Columbia	164	189	150	155	146	157

\*Includes cars and light trucks.



Includes cars and trucks (light, medium and heavy). Shaded bars indicate U.S. recession periods.

## Global Auto Report

## Auto Market Share By Manufacturer — Canada\*

(thousands of units, not seasonally adjusted)

	<u>2010</u>		<u>2011</u>		<u>2010</u>		<u>2011</u>	
	Jan to May		Jan to May		May		May	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
<b>TOTAL</b>	<b>293.8</b>	<b>99.9</b>	<b>285.5</b>	<b>100.0</b>	<b>74.1</b>	<b>100.0</b>	<b>69.3</b>	<b>100.0</b>
Big Three	69.1	23.5	75.2	26.4	19.9	26.8	20.2	29.2
General Motors	33.0	11.2	33.7	11.8	9.6	12.9	8.1	11.7
Ford	21.7	7.4	26.7	9.4	6.2	8.4	7.5	10.9
Chrysler	14.4	4.9	14.8	5.2	4.1	5.5	4.6	6.6
Japanese	138.9	47.3	114.3	40.0	32.4	43.7	24.2	34.9
Honda	32.4	11.0	28.4	10.0	7.1	9.5	6.0	8.7
Toyota	44.7	15.2	34.7	12.1	10.4	14.0	6.5	9.3
Nissan	22.2	7.6	18.5	6.5	5.8	7.8	4.0	5.8
Mazda	27.8	9.5	23.3	8.2	6.5	8.7	5.5	8.0
Mitsubishi	4.6	1.6	2.8	1.0	1.1	1.5	0.7	1.0
Subaru	4.7	1.6	5.1	1.8	1.0	1.4	1.1	1.6
Hyundai	33.0	11.2	37.8	13.2	8.6	11.7	9.4	13.6
Volkswagen	15.2	5.2	18.4	6.4	3.8	5.1	4.9	7.0
Kia	15.4	5.1	16.9	5.9	4.2	5.6	4.9	7.1
BMW	8.1	2.8	8.1	2.9	2.0	2.7	2.0	2.9
Mercedes-Benz	7.8	2.7	8.2	2.9	2.0	2.7	2.2	3.1
Other	6.3	2.1	6.6	2.3	1.2	1.7	1.5	2.2

\*Source: Dealer sales from the Association of International Automobile Manufacturers of Canada.

## Truck Market Share By Manufacturer — Canada\*

(thousands of units, not seasonally adjusted)

	<u>2010</u>		<u>2011</u>		<u>2010</u>		<u>2011</u>	
	Jan to May		Jan to May		May		May	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
<b>TOTAL</b>	<b>347.8</b>	<b>100.0</b>	<b>368.5</b>	<b>100.0</b>	<b>82.8</b>	<b>100.0</b>	<b>81.9</b>	<b>100.0</b>
Big Three	216.7	62.3	226.8	61.6	53.2	64.2	52.6	64.2
General Motors	64.7	18.6	63.3	17.2	16.5	19.9	14.9	18.2
Ford	79.4	22.8	80.2	21.8	19.9	24.0	17.9	21.8
Chrysler	72.6	20.9	83.3	22.6	16.8	20.3	19.8	24.2
Other Domestic	10.5	3.0	12.0	3.3	2.2	2.7	2.4	2.9
Japanese	79.0	22.7	79.4	21.5	17.6	21.3	14.7	17.9
Honda	22.0	6.3	20.7	5.6	4.5	5.5	3.8	4.6
Toyota	32.5	9.4	32.9	8.9	7.5	9.1	5.6	6.8
Nissan	11.3	3.2	13.8	3.7	2.4	2.9	2.7	3.3
Mazda	5.8	1.7	4.5	1.2	1.6	1.9	1.1	1.3
Mitsubishi	3.7	1.1	5.6	1.5	0.7	0.8	1.0	1.2
Subaru	6.3	1.8	6.6	1.8	1.4	1.7	1.5	1.8
Hyundai	17.7	5.1	17.5	4.7	3.9	4.7	4.6	5.6
Kia	5.2	1.5	9.1	2.5	1.6	1.9	2.0	2.5
Other Imports	18.7	5.4	23.7	6.4	4.3	5.2	5.6	6.9
LIGHT TRUCKS	338.3	97.3	358.0	97.2	80.8	97.6	79.8	97.4

\*Source: Dealer sales from the Association of International Automobile Manufacturers of Canada.

## Global Auto Report

## Auto Sales By Province

*(thousands of units, not seasonally adjusted)*

	<u>2010</u> Jan to Apr	<u>2011</u> Jan to Apr	<u>2010</u> Apr	<u>2011</u> Apr
<b>CANADA</b>	<b>221.8</b>	<b>216.7</b>	<b>70.5</b>	<b>75.6</b>
<b>ATLANTIC</b>	<b>18.3</b>	<b>17.0</b>	<b>6.2</b>	<b>5.9</b>
Newfoundland	4.2	3.8	1.4	1.4
Nova Scotia	7.7	7.2	2.6	2.4
New Brunswick	5.6	5.2	1.9	1.8
Prince Edward Island	0.8	0.8	0.3	0.3
<b>CENTRAL</b>	<b>155.9</b>	<b>154.5</b>	<b>50.3</b>	<b>55.0</b>
Quebec	77.0	73.2	25.6	26.7
Ontario	78.9	81.3	24.7	28.3
<b>WEST</b>	<b>47.6</b>	<b>45.2</b>	<b>14.0</b>	<b>14.7</b>
Manitoba	4.5	4.7	1.4	1.5
Saskatchewan	3.9	3.5	1.2	1.2
Alberta	18.1	16.1	5.1	5.3
British Columbia	21.1	20.9	6.3	6.7

## Truck Sales By Province\*

*(thousands of units, not seasonally adjusted)*

	<u>2010</u> Jan to Apr	<u>2011</u> Jan to Apr	<u>2010</u> Apr	<u>2011</u> Apr
<b>CANADA</b>	<b>263.6</b>	<b>286.8</b>	<b>81.7</b>	<b>87.0</b>
<b>ATLANTIC</b>	<b>20.0</b>	<b>20.2</b>	<b>6.7</b>	<b>6.3</b>
Newfoundland	5.0	5.4	1.7	1.7
Nova Scotia	7.6	6.9	2.5	2.1
New Brunswick	6.6	7.0	2.2	2.2
Prince Edward Island	0.8	0.9	0.3	0.3
<b>CENTRAL</b>	<b>154.4</b>	<b>165.0</b>	<b>48.5</b>	<b>50.8</b>
Quebec	58.0	59.9	18.9	19.2
Ontario	96.4	105.1	29.6	31.6
<b>WEST</b>	<b>89.2</b>	<b>101.6</b>	<b>26.5</b>	<b>29.9</b>
Manitoba	8.6	9.9	2.7	2.9
Saskatchewan	10.4	11.5	3.0	3.3
Alberta	43.9	50.9	13.2	15.1
British Columbia	26.3	29.3	7.6	8.6

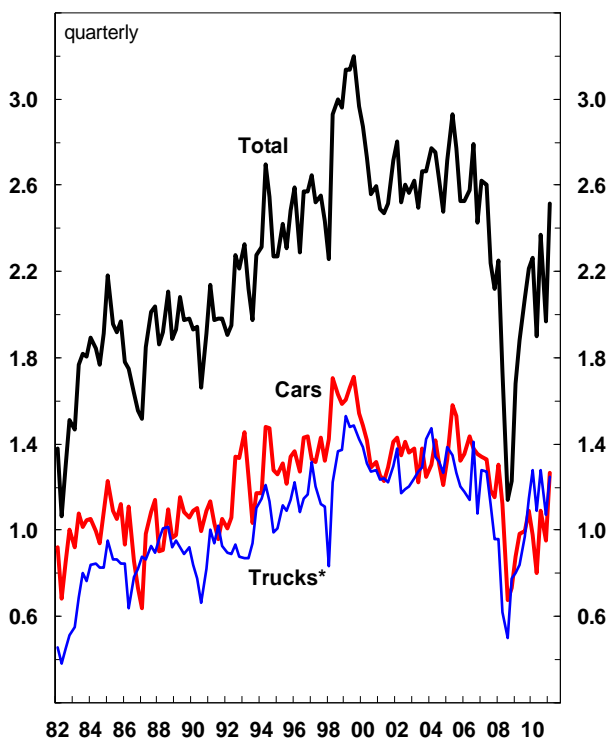
\*Light, medium and heavy trucks.

**Canadian Motor Vehicle Production\***  
(thousands of units, not seasonally adjusted)

	<u>2010</u> Jan to May	<u>2011</u> Jan to May	<u>2010</u> May	<u>2011</u> May
<b>TOTAL</b>	<b>882.2</b>	<b>902.4</b>	<b>185.5</b>	<b>158.1</b>
<b>CAR</b>	<b>438.3</b>	<b>419.3</b>	<b>91.6</b>	<b>73.8</b>
Chrysler	81.8	77.0	17.7	17.8
Ford	44.3	45.2	7.9	9.4
GM	128.8	144.3	26.9	29.7
Honda	91.0	70.6	18.5	12.2
Toyota	92.4	82.2	20.6	4.7
<b>TRUCKS**</b>	<b>443.9</b>	<b>483.1</b>	<b>93.9</b>	<b>84.3</b>
CAMI (GM/Suzuki)	0.0	0.0	0.0	0.0
Chrysler	131.5	123.5	29.8	26.4
Ford	100.0	98.5	18.5	19.7
GM	94.5	150.0	18.3	29.7
Honda	30.8	24.5	5.5	3.2
Toyota	85.0	83.7	21.3	4.9
Others	2.1	2.9	0.5	0.4

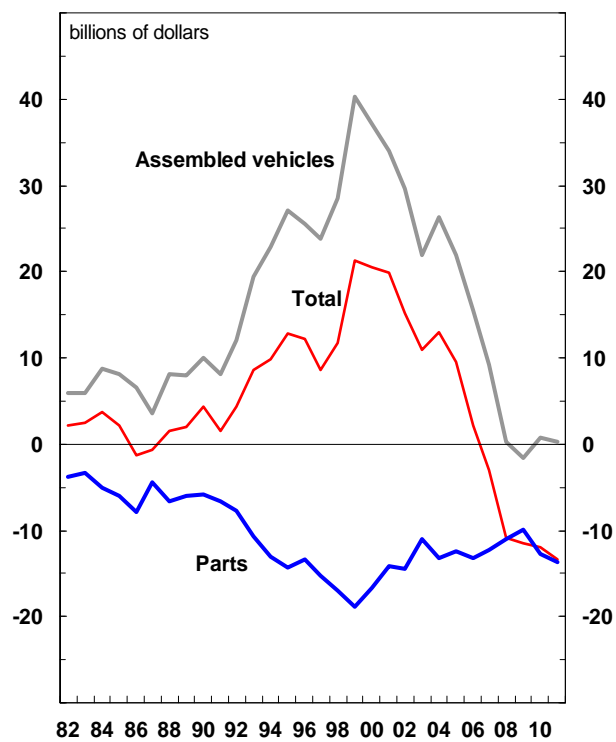
\*Production data from Ward's Automotive Reports. \*\*Light, medium and heavy trucks.

Canada — Motor Vehicle Production



Millions of units, seasonally adjusted annual rates.  
\* Light, medium and heavy trucks.

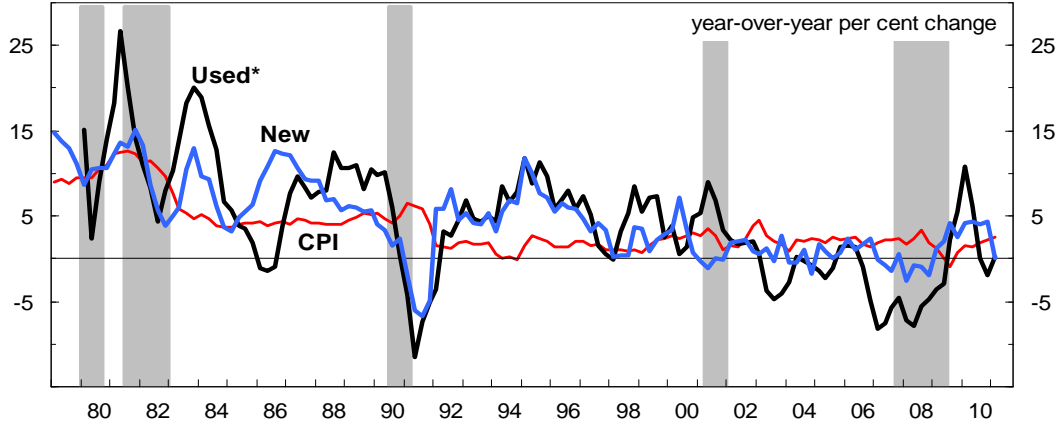
Canada — World Auto Trade Balances



2011 data are January-April annualized.

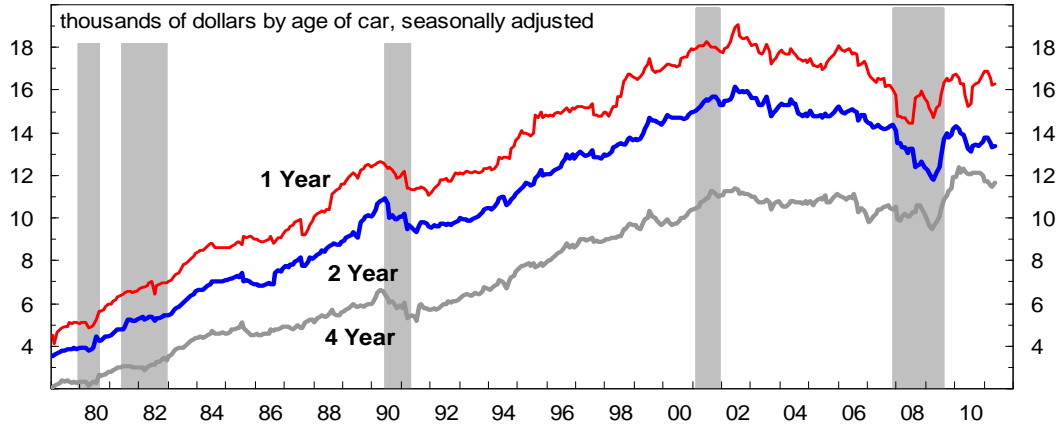
**New & Used Car Prices**

Scotiabank Car Price Indicators — Canada



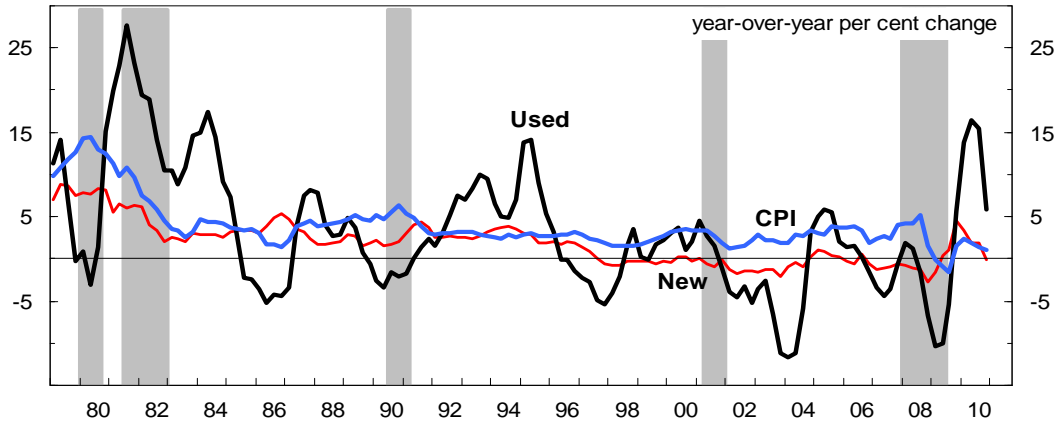
\* Scotiabank estimate from Canadian Black Book data.

Scotiabank Car Price Indicators — Canada



Scotiabank estimate from Canadian Black Book data.

Scotiabank Car Price Indicators — United States



Consumer price indices for new and used cars.  
Shaded areas indicate recession periods.

Canadian Corporate Financial Performance

Motor Vehicle Dealers and Repair Shops

		Net Income After Tax (\$ mil)	Pre-Tax Profit Margin (%)	Inventory Turnover Ratio	Interest Coverage Ratio	Debt/ Equity Ratio	Return on Shareholders Equity (%)
Annual	1998	217	0.76	6.33	2.07	2.25	3.91
	1999	487	0.82	6.83	2.31	2.41	9.58
	2000	400	0.75	6.79	2.10	2.02	6.46
	2001	521	0.75	7.06	2.13	1.98	8.37
	2002	773	1.02	7.48	3.09	2.04	11.28
	2003	594	0.91	5.30	2.65	2.91	10.14
	2004	571	0.69	4.98	2.25	3.17	10.49
	2005	799	0.93	5.35	2.55	2.74	12.90
	2006	942	1.20	5.16	2.64	2.75	14.37
	2007	1089	1.41	5.05	3.36	2.56	15.13
	2008	1142	1.43	5.04	3.51	2.44	14.66
2009	1449	1.89	5.35	4.93	1.79	17.49	
2010	2001	2.52	5.27	5.99	1.62	20.63	
Quarterly at annual rates							
	2010Q1	1388	1.99	4.63	5.10	1.80	15.52
	Q2	2248	2.62	5.56	6.59	1.72	24.05
	Q3	2316	2.81	5.48	7.07	1.55	22.95
	Q4	2052	2.60	5.43	5.27	1.45	19.70
	2011Q1	1848	2.46	4.81	5.72	1.54	17.55
	Average (89-10)	648	1.12	6.27	2.72	2.38	10.60
	Low (89-10)	-68	0.10	4.31	1.10	3.57	-1.20

Definition of Ratios:

Pre-tax Profit Margin: pre-tax income/sales

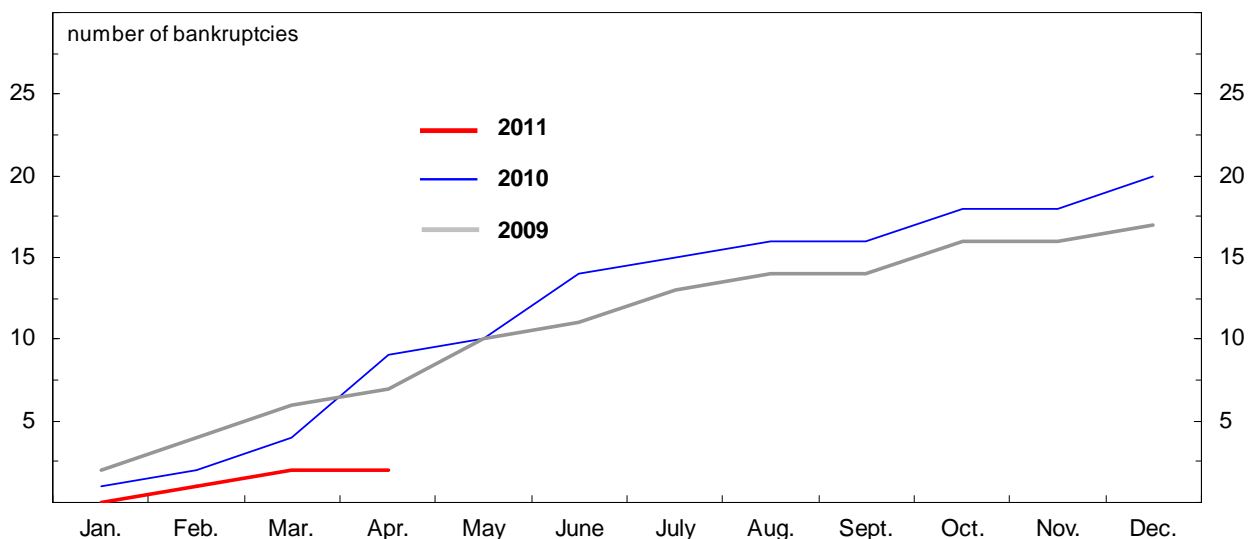
Inventory Turnover Ratio: sales/inventory

Interest Coverage Ratio: (pre-tax income and interest payments)/(interest payments)

Debt/Equity Ratio: (short-term and long-term debt)/total equity

Return of Shareholders' Equity: after-tax income/total equity

Retail Auto Dealer Bankruptcies



New car dealers only; cumulative total during the year.